

TEACHERS' RETIREMENT BOARD

INVESTMENT COMMITTEE

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SUBJECT: General- Update on 1998/99  
Investment Objectives

ITEM NUMBER: 9

ATTACHMENT(S): 1

ACTION: \_\_\_\_\_

DATE OF MEETING: November 4, 1998

INFORMATION: X

PRESENTER(S): Mr. Mitchell

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**EXECUTIVE SUMMARY**

Attachment I is a report of the progress in achieving the 1998-1999 Objectives for the Investment Branch. The Timeline was previously approved by the Investment Committee in July 1998.

The original timeline format has been modified to include an additional column to apprise the Investment Committee of the status of the approved objectives.

**1998 - 99 INVESTMENT OBJECTIVES  
TIMELINE BY MONTH**

Attachment I  
Item 9  
November 4, 1998

The objectives for the 1998 - 99 fiscal year have been divided into categories identified below by month.

<b>DIVISION</b>	<b>DESCRIPTION</b>	<b>MONTH</b>	<b>STATUS</b>
EXTERNAL EQUITY	Complete a request for proposal for active and passive non-U.S. equity mandates to implement the non-U.S. equity strategy approved by the Investment Committee in May 1998	AUG 98	IN PROGRESS
REAL ESTATE	Present a recommendation to the Investment Committee regarding the appropriateness of performance based or incentive fees paid to the real estate managers for acquisition, management, and disposition of properties.	AUG 98	COMPLETED
ALTERNATIVE INVESTMENTS	Evaluate the dual role of the Alternative Investment consultant/advisor. Present a recommendation to the Investment Committee on the appropriate structure.	SEP 98	COMPLETED
REAL ESTATE	Complete a request for proposal for real estate mandates as approved by the Investment Committee to implement the overall real estate strategy.	SEP 98	IN PROGRESS
INVESTMENT OPERATIONS	Present a recommendation to the Investment Committee regarding foreign exchange transactions and cash balances for non-U.S. equity managers.	SEP 98	IN PROGRESS
CORPORATE GOVERNANCE	Review, revise, and present the Statement of Investment Responsibility and the Financial Responsibility guidelines for corporate investments as directed by the Investment Committee in November 1997.	SEP 98	POSTPONED UNTIL MARCH 1999
GENERAL - PHILOSOPHY	Complete Investment Management Plan which is designed to function as the blueprint for completion of the Policies for each investment function.	OCT 98	COMPLETED
GENERAL - REQUEST FOR PROPOSAL	The contract for general consultant is scheduled to expire April 30, 1999. A request for proposal (RFP) process for the consultant should be completed unless an extension to the existing contract is contemplated.	OCT 98	IN PROGRESS
ALTERNATIVE INVESTMENTS	Develop and justify the internal database selected to improve portfolio management, performance measurement, and management reporting.	OCT 98	COMPLETED

<b>DIVISION</b>	<b>DESCRIPTION</b>	<b>MONTH</b>	<b>STATUS</b>
INTERNAL EQUITIES	Present a recommendation to the Investment Committee regarding strategies for the equitization of cash for the domestic equity portfolio.	OCT 98	COMPLETED
EXTERNAL EQUITIES	Complete an Investment Committee presentation on emerging market equity including the role of active management including peer group comparisons, academic research, and performance benchmark.	NOV 98	IN PROGRESS
EXTERNAL EQUITIES	Review and revise the policies and procedures for the soft dollar program including domestic equity, non-U.S. equity, and fixed income portfolios. The review will include an analysis of the soft dollar purchases by external equity managers.	JAN 99	
ALTERNATIVE INVESTMENTS	Review the performance benchmark considering relative and absolute measures including a method to incorporate the increasing amount of non-U.S. investments. Present a recommendation to the Investment Committee on the appropriate benchmark(s) to used to evaluate the Alternative Investment Program.	FEB 99	
CORPORATE GOVERNANCE	Evaluate the viability of internal management of international proxy voting and global corporate actions .	FEB 99	
REAL ESTATE	Review and revise the strategy for moderate to high risk investments including opportunity funds and lease-up investments including performance objective, target, and range.	FEB 99	
ALTERNATIVE INVESTMENTS	Review and revise the policy for co-investments including performance objective, target, and range.	MAR 99	
EXTERNAL EQUITIES	Coordinate the funding, allocation, reallocation, and transition of the domestic equity portfolios controlling transaction costs while implementing the comprehensive plan approved by the Investment Committee in October 1997.	MAR 99	
FIXED INCOME	Review the characteristics of an effective performance benchmark and evaluate the validity of the benchmark currently being used within fixed income. Present findings and a recommendation to the Investment Committee.	MAR 99	

<b>DIVISION</b>	<b>DESCRIPTION</b>	<b>MONTH</b>	<b>STATUS</b>
GENERAL - REQUEST FOR PROPOSAL	The contract for master custodian is scheduled to expire March 30, 2000. A request for proposal (RFP) process for the custodian should be completed unless an extension to the existing contract is contemplated.	APR 99	
CREDIT ENHANCEMENT	Complete an Investment Committee presentation evaluating the relative success of the credit enhancement program as described to the Investment Committee in May 1994. Review and revise the business plan as necessary.	APR 99	
INTERNAL EQUITIES	Evaluate the relative success of the internal equity management program including ancillary benefits described in the October 1997 Investment Committee presentation. Present a recommendation to the Investment Committee on the appropriate amount of funds to be managed internally in the S&P 500 Index portfolio.	MAY 99	
SECURITIES LENDING	Implement the internal securities lending program as approved by the Investment Committee in June 1998.	MAY 99	
GENERAL - BUSINESS PLAN	The alternative investment and real estate staff were directed to complete an annual "business plan". Should a business plan for each operating unit be completed and presented?	JUN 99	
GENERAL - POLICIES	Decisions made regarding Board governance, require policies be reviewed and revised (if necessary) to insure completeness and consistency for alternative investments, corporate governance, credit enhancement, currency hedging, external equity, fixed income, internal equity, liquidity, real estate, securities lending, and soft dollars.	JUN 99	
GENERAL RISK MANAGEMENT	Evaluate the need for educational seminars regarding the identification and control of traditional and non-traditional risk measurement.	JUN 99	
FIXED INCOME	Implement the revitalization of the Member Home Loan Program including selection of vendors and coordination of legislative changes to increase loan volume to recommended levels.	JUN 99	
INVESTMENT OPERATIONS	Participate in the planning and implementation process as approved for the domestic equity, international equity, and securities lending programs to minimize disruptions to existing functions, products, and programs.	JUN 99	